

# McGladrey & Pullen

Certified Public Accountants

## State of Illinois Illinois Department of Agriculture DuQuoin State Fair

Compliance Examination  
For the Two Years Ended September 30, 2005

Performed as Special Assistant Auditors  
For the Auditor General, State of Illinois

State of Illinois  
Illinois Department of Agriculture  
DuQuoin State Fair

Compliance Examination  
For the Two Years Ended September 30, 2005

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AGENCY OFFICIALS

Director	Mr. Charles A. Hartke
Assistant Director	Mr. Tom Jennings (Current) Ms. Lisa Groesch (10/01/03 to 03/01/04)
Chief Fiscal Officer	Ms. Laura Lanterman (Current) Mr. Tyrone O. Pace (10/01/03 to 02/02/04)
General Counsel	Ms. Margaret van Dijk (Current) Ms. Cynthia Ervin (to 10/01/03 to 07/31/04)
Fair Manager	Mr. John Rednour, Jr.

Agency offices are located at:

P.O. Box 19281  
State Fairgrounds  
Springfield, IL 62794-9281

Rt. 2, Box 306  
DuQuoin, Illinois 62832



Rod R. Blagojevich, Governor  
Charles A. "Chuck" Hartke, Director  
John Rednour, Jr., Manager

December 14, 2005

McGladrey & Pullen, LLP  
Certified Public Accountants  
20 North Martingale Road, Suite 500  
Schaumburg, Illinois 60173

Ladies and Gentlemen:

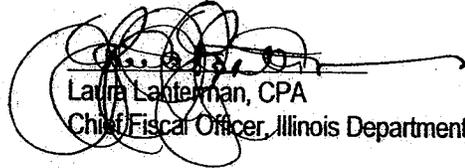
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Illinois Department of Agriculture, DuQuoin State Fair. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Fair's compliance with the following assertions during the two-year period ended September 30, 2005. Based on this evaluation, we assert that during the years ended September 30, 2005 and September 30, 2004, the Department has materially complied with the assertions below.

- A. The Fair's has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Fair's has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Fair's has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Fair's are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Fair's on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

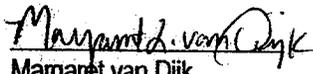
Yours very truly,



John Rednour  
Director, DuQuoin State Fair



Laura Lakteman, CPA  
Chief Fiscal Officer, Illinois Department of Agriculture



Margaret van Dijk  
General Counsel, Illinois Department of Agriculture

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COMPLIANCE REPORT

Summary

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Auditors' Reports

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Audit Findings

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	8	4
Repeated audit findings	2	1
Prior recommendations implemented or not repeated	2	2

Details of findings are presented in a separately tabbed report section.

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
		FINDINGS (STATE COMPLIANCE)
05-1	8	Inadequate Supervision of Fair Parking
05-2	9	Vendors Did Not Provide Proof of Insurance
05-3	10	Inadequate Control of Camping Revenues and Permits
05-4	12	Improper Processing of Competitive Event Entries
05-5	13	Processing of Incomplete Non-Paid Credentials Requests
05-6	15	Pari-Mutuel Wagering Reports Were Not Reviewed

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COMPLIANCE REPORT (Continued)

Summary (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (STATE COMPLIANCE) (Continued)		
05-7	16	Inadequate Segregation of Duties
05-8	17	Improper Completion, Untimely Processing and Inadequate Monitoring of Contracts
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)		
05-9	19	Weaknesses in Space Rental Collection Procedures
05-10	19	Weaknesses in Timekeeping System

Exit Conference

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on May 17, 2006. Attending were:

Illinois Department of Agriculture

Charles Hartke	Director
Tom Jennings	Assistant Director
Laura Lanterman	Chief Fiscal Officer
John Rednour	DuQuoin State Fair Manager
Marcy Mitchell	Accounting Manager
Margaret van Dijk	General Counsel

Office of the Auditor General

Jon Fox	Audit Manager
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McGladrey & Pullen, LLP

Joseph Evans	Partner
Derek Brown	Manager
Jennifer Santos	Partner (E. C. Ortiz & Co., LLP)

Responses to the recommendations were provided by Ms. Laura Lanterman, Chief Fiscal officer in a letter dated May 18, 2006.

# McGladrey & Pullen

Certified Public Accountants

## Independent Accountants' Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes

Honorable William G. Holland  
Auditor General  
State of Illinois

### Compliance

As Special Assistant Auditors for the Auditor General, we have examined State of Illinois, Illinois Department of Agriculture, DuQuoin State Fair's (Fair) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended September 30, 2005. The management of the Fair is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Fair's compliance based on our examination.

- A. The Fair has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Fair has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Fair has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Fair are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Fair on behalf of the State or held in trust by the Fair have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Fair's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination the Fair's compliance with specified requirements.

In our opinion, the Fair complied, in all material respects, with the aforementioned requirements during the two years ended September 30, 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 05-1, 05-2, 05-3, 05-4, 05-5, 05-6, and 05-8.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

### **Internal Control**

The management of the Fair is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Fair's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 05-1, 05-2, 05-3, 05-4, 05-5, 05-6, 05-7, and 05-8.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

### **Supplementary Information for State Compliance Purposes**

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2005 and 2004 Supplementary Information for State Compliance Purposes, except for information on the Miscellaneous Operating Statistics on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2003 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
December 14, 2005

## SCHEDULE OF FINDINGS

### Current Findings – State Compliance

05-1 Finding: Inadequate Supervision of Fair Parking

DuQuoin State Fair (Fair) parking supervisors did not adequately supervise parking on the fairgrounds.

The Fair sells parking to the general public during the DuQuoin State Fair each year. In 2004 and 2005, revenue generated from parking admissions totaled \$204,003 and \$212,178, respectively. During our testing of 2004 Fair parking revenue we noted 42 of 279 vehicles (15%) were either missing parking passes (37), had expired passes (1) or had the wrong pass for the lot (4). During our testing of 2005 parking revenue we noted that 33 of 444 vehicles (7%) had no visible parking passes.

Prior to the commencement of the 2004 Fair, Gate 3 was designated to be for campers only. In addition, horse event personnel were instructed to use Gate 3 and that they would be allowed to enter the Fair free of charge. However when the Fair began, a decision was made by Fair management to have the horse handlers pay for a parking pass and allow any other fairgoer to come through Gate 3. During the 2004 Fair, attendants were selling parking passes to any individual that came through Gate 3. When auditors asked the Gate 3 parking attendant who could purchase parking at Gate 3, the attendant was unsure.

All vehicles parked in the lots on Fairgrounds should have visible passes. The supervisors should be observing all sellers and entrances to the Fairgrounds.

Fair management did not provide detailed enough instructions to the Gate personnel on who could purchase parking at the gate. Fair officials also stated that while signs posted at the parking lot entrances requiring display of parking passes or the vehicle would be towed, it was believed that fair revenue generated by a fairgoer exceeded the possible benefit to be had by towing.

Inadequate control over gate and parking admissions may result in loss of State revenue. (Finding Code No. 05-1, 03-2)

Recommendation:

We recommend the Department enforce the display of parking passes in vehicles by towing vehicles. Further the Department should consistently apply its parking rules and enhance its supervision over Fairgrounds parking.

Agency Response:

The agency agrees with the finding. The agency will review its parking policies and procedures, amend them if necessary, and enforce them.

## SCHEDULE OF FINDINGS

### Current Findings – State Compliance

#### 05-2 Finding: Vendors Did Not Provide Proof of Insurance

The Department did not obtain proof of insurance from DuQuoin State Fair vendors as required by their contracts.

In 2004 the Department did not obtain proof of insurance from 2 of 25 vendors (8%) until 23 and 85 days after the Fair ended. In 2005, the Department did not obtain proof of insurance from 17 of 30 vendors (57%) as required by the terms of their contract.

Good internal control procedures and good management practices would require the vendors to produce proof of insurance prior to the Department entering into the contract.

Department personnel stated that vendors may not have obtained insurance at the time the contract is executed, or if they have insurance at the time of execution, it may have expired prior to the beginning of the Fair.

When required, proof of insurance should be obtained before service contracts are submitted to the Director for signature. The lack of proper insurance by a vendor could expose the Department to liability and result in unnecessary expenses. (Finding Code No. 05-2, 03-4)

#### Recommendation:

We recommend the Department obtain proof of insurance from vendors when required prior to entering into the contract with the vendor.

#### Agency Response:

The agency agrees with the finding. The agency will require that proof of insurance be provided prior to the assignment of space and setup by the vendor.

## SCHEDULE OF FINDINGS

### Current Findings – State Compliance

#### 05-3 Finding: Inadequate Control of Camping Revenues and Permits

The Department did not maintain adequate controls over camping revenues and permits at the DuQuoin State Fair.

The Department rents campsites at the fairgrounds during the time of the DuQuoin State Fair (Fair). Camping revenue for the Fair in 2004 and 2005 were \$47,266 and \$55,030, respectively.

During our sample testing of 20 camping permits in 2004, we noted 3 instances (15%) that the camper underpaid one night totaling \$36.

During our sample of 30 camping permits in 2005, we noted the following:

- 7 instances that camper underpaid one night totaling \$105;
- 4 discrepancies in arrival date written on permit and receipt totaling \$60;
- 1 camper occupied two spots each but only paid for one space resulting in underpayment of \$120;
- 7 campers displayed a pink permit, which according to Fair officials were not distributed, resulting in underpayment of \$105;
- 5 camping permits were blank (value of exception could not be determined);
- 4 camping permits were not properly displayed by the camper (value of exception could not be determined); and
- 1 camper displayed a 2004 permit for the 2005 Fair resulting to underpayment of \$15.

Good internal controls would require the Department collect the proper camping revenue for the number of days that campsites are rented and that camping permits be properly completed and displayed.

Fair officials indicated that upon issuance of the camping permit by fair staff, campers are notified that the camping permits need to be displayed at all times and where the permit should be displayed. In addition, during the Campground Superintendent's rounds of the camping area, any noncompliance is required to be corrected. Improper completion of any camping permits was an oversight by staff. Differences between revenue received and calculated may have been the difference between calculating the base on the number of days stayed rather than the number of nights.

Inadequate controls over camping receipts and improper completion and monitoring of camping permits increase the risk of loss of State camping revenue. (Finding Code No. 05-3)

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SCHEDULE OF FINDINGS

Current Findings – State Compliance

05-3 Finding: Inadequate Control of Camping Revenues and Permits (Continued)

Recommendation:

We recommend Fair officials improve control procedures over camping revenue and receipts. Further Fair officials should enhance controls over the completion and monitoring of camping permits.

Agency Response:

The agency agrees with the finding. The agency will review its camping policies and procedures, communicate them clearly to all temporary staff, and strictly enforce them.

## SCHEDULE OF FINDINGS

### Current Findings – State Compliance

#### 05-4 Finding: Improper Processing of Competitive Event Entries

DuQuoin State Fair (Fair) did not properly process competitive event entries.

During the 2005 Fair \$26,114 in revenue was generated from competitive events. We tested 30 entry forms for competitive events and noted the following exceptions:

- 5 forms (17%) did not include entrant number; and
- 6 forms (20%) did not have the date of receipt, thus, timely submission could not be determined.

Fair Competitive Events Department's procedures require that exhibitors must complete the entry form and exhibitor's card and enclose the applicable entry fees. Entry forms and fees must be returned to the Competitive Events Department before the stated entry closing dates.

Fair officials indicated that the exceptions noted might be due to Competitive Events Department's procedures not being clear to summer employees who help process the entries.

Entry forms processed beyond the deadline may result in ineligible contestants being awarded as winners of competitive events. (Finding Code No. 05-4)

#### Recommendation:

We recommend Fair Competitive Events Department process only entry forms received by the stated deadline. Further, the Fair Competitive Events Department should document the receipt date to support the timely filing of the entrant.

#### Agency Response:

The agency agrees with the finding. The agency will clearly communicate all procedures to summer employees and make sure that the policies are enforced.

## SCHEDULE OF FINDINGS

### Current Findings – State Compliance

#### 05-5 Finding: Processing of Incomplete Non-Paid Credentials Requests

DuQuoin State Fair (Fair) did not require proper completion of non-paid credentials requests during the 2005 Fair.

During our sample testing of 30 requests forms for non-paid credentials, we noted the following:

- 7 forms (23%) did not indicate the person or department requesting the form, thus we were not able to determine reasonableness of the request;
- 29 forms (97%) were not properly completed, with missing information such as Department/Event Exhibit, Location of Exhibit/Event, Phone Number of Person Requesting Credentials, and Explanation for the Request; and
- 11 forms (37%) did not document acknowledgment of receipt of the non-paid credentials.

In addition, we noted that 13 of 127 Grandstand complimentary ticket requests (10%) were not properly completed. In 2005, \$296,566 in revenues was generated from Grandstand shows.

Fair Credentials Department's procedures require that the non-paid credentials and complimentary ticket request forms be reviewed and approved by the appropriate individual to ensure credentials and tickets are only issued to appropriate individuals. In addition, when non-paid credentials are picked up, the customer's signature should be obtained.

Fair officials indicated that the exceptions noted might be due to Fair Credentials Department's procedures not being made clear to summer employees who help process the requests.

Without proper completion of the request forms, non-paid credentials may be issued to ineligible individuals or organizations. This may result to potential loss of State revenues. (Finding Code No. 05-5)

#### Recommendation:

We recommend Fair Credentials Department ensure proper completion of the non-paid credentials request and complimentary Grandstand ticket forms prior to processing the request.

State of Illinois  
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For the Two Years Ended September 30, 2005

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## SCHEDULE OF FINDINGS

### Current Findings – State Compliance

05-5 Finding: Processing of Incomplete Non-Paid Credentials Requests (Continued)

Agency Response:

The agency agrees with the finding. The agency will clearly communicate all procedures to summer employees and make sure that the policies are enforced.

State of Illinois  
Illinois Department of Agriculture  
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For the Two Years Ended September 30, 2005

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SCHEDULE OF FINDINGS

Current Findings – State Compliance

05-6 Finding: Pari-Mutuel Wagering Reports Were Not Reviewed

DuQuoin State Fair (Fair) did not review pari-mutuel wagering reports, which includes income and expenses related to the racing programs held during the 2005 Fair.

The Fair has entered into a contract with a vendor for \$80,000 to operate the harness and quarter horse racing programs including pari-mutuel wagering at the Fair. This agreement leases the grandstand, track, and paddock areas to the contractor to conduct the races. The testing of the controls over pari-mutuel wagering or the pari-mutuel payouts is the responsibility of the Illinois Racing Board whereas the Fair is only responsible for compliance with its contract. However, this contract requires the vendor to submit income and expense reports to the Fair for review. In 2005, \$104,954 in revenues (net of commissions) involving pari-mutuel wagering was generated.

Good internal control procedures would require that the Department review the income and expense reports submitted by the pari-mutuel contractor to monitor the income and expense to the Fair associated with this contract.

Fair officials stated that not reviewing the pari-mutuel wagering reports was an oversight as fair officials thought they were reviewed elsewhere in the Department of Agriculture.

Failure to review the contract may result in unallowable expenses being charged to the program. (Finding Code No. 05-6)

Recommendation:

We recommend the Fair obtain and review the pari-mutuel wagering reports to determine propriety of income received and expenses charged to the program.

Agency Response:

The agency agrees with the finding. The agency has established what bureau will be responsible for review of the reports. The 2005 fair reports have been reviewed by the bureau. Future years' reports will be reviewed in a timely manner.

## SCHEDULE OF FINDINGS

### Current Findings – State Compliance

05-7 Finding: Inadequate Segregation of Duties

DuQuoin State Fair (Fair) did not maintain an adequate segregation of duties over parking ticket revenue during the 2005 Fair.

During our sample testing, we noted that unsold parking tickets were counted. All parking tickets were colored differently for each day of the fair. Both unused and unsold parking tickets are located inside a locked office within the limited-access Central Cashier's office. There were no large or unusual discrepancies between ticket sales, receipts, and deposits. However, we noted that the person receiving the admission fees collected was also the same person in charge of recording and depositing the receipts. \$212,178 in revenues was generated from parking tickets sold at the Fair during 2005.

Good internal control procedures require that responsibilities for maintaining accounting records be segregated from responsibilities with access to cash or other assets.

Fair personnel stated that small staff size makes adequate segregation of duties more difficult.

Without an adequate segregation of duties it increases the risk of loss of funds from fraud or theft. (Finding Code No. 05-7)

Recommendation:

We recommend the Fair segregate the duties of processing and depositing cash receipts from recording cash receipts in the Fair Management System.

Agency Response:

The agency agrees with the finding. The agency will review its procedures for parking receipts and ticket inventory and modify them to provide segregation of duties.

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Schedule of Findings

Current Findings – State Compliance

05-8 Finding: Improper Completion, Untimely Processing and Inadequate Monitoring of Contracts:

The DuQuoin State Fair (Fair) did not timely process, complete or monitor contracts.

During our sample testing of 9 contractual obligation documents (CODs) in 2004 totaling \$153,490 and 10 CODs in 2005 totaling \$131,369, we noted that the Fair did not file all 19 CODs (100%) within 30 days of executing the contracts. The COD's were filed from 10 days to 179 days late.

During our sample testing of 25 contracts in 2004, it was noted that one contract was not properly dated and another contract was not signed prior to services being performed. This contract was signed 3 days late. Both 2004 contracts totaled \$49,500.

Beer concessionaires pay a fixed amount per keg or case of beer used during the Fair. During the 2004 Fair, the auditors could not determine whether the ending inventory balance for the beer inventory was accurate. Auditors attempted to compare the ending balance as stated by the beer concessionaire with the Credit Invoice (statement of unsold beer from the beer distributor). However, Fair personnel could not provide a copy of the Credit Invoice. The total dollar value of any loss could not be determined.

Pursuant to the Statewide Accounting Management System (SAMS) Procedure 15.10.40, state agencies are required to file with the Illinois Office of the Comptroller (Comptroller) a copy of a contract, purchase order, grant, lease, or modification within 15 days of execution. An Affidavit for Late Filing must be completed for any contract liability not filed within 30 days of execution.

Good business practice requires that all parties sign the contracts prior to performance of the services and that the Department maintain supporting documentation to validate whether revenue received from vendors is in compliance with contractual agreements.

Fair personnel stated that it was an oversight on their part not to have all required signatures on the contract timely. Fair personnel stated that the Credit invoice for unsold beer could not be located.

Untimely processing and filing of contract obligation documents impairs the Comptroller's ability to evaluate contract expenditures for payment. Without proper completion of the contracts, the validity of the contracts may be questioned and missing documents may result in understatement of amounts due to the Fair.  
(Finding Code No. 05-8)

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Schedule of Findings

Current Findings – State Compliance

05-8 Finding: Improper Completion, Untimely Processing and Inadequate Monitoring of Contracts (Continued):

Recommendation:

We recommend the Fair set up a contract tracking system to ensure contractors return contracts to the Fair for signature before the contractor begins services.

Agency Response:

The agency agrees with the finding. The agency will set up a contract tracking system to better monitor its contracts.

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SCHEDULE OF FINDINGS

Prior Findings Not Repeated – State Compliance

05-9 Finding: Weaknesses in Space Rental Collection Procedures

During the prior examination period, weaknesses in the collection process for space rentals during the non-fair periods at the DuQuoin State Fairgrounds were noted. (Finding Code No. 03-1)

During the current examination period, sample testing indicated Fair officials developed and implemented policies and procedures to account for receipt of monies due from space rental contracts.

Status: Implemented

05-10 Finding: Weaknesses in Timekeeping System

During the prior examination period, weaknesses in the timekeeping system for temporary employees were noted. Temporary employees were not required to use time clocks; there was no procedure to require the employees to sign their time cards or time sheets prepared by the supervisors to certify accuracy; Employment Eligibility Verification (Form I-9) required by the U.S. Department of Justice, Immigration and Naturalization Service for some employees were not completely filled out. (Finding Code No. 03-3)

During the current examination period, our sample testing indicated Fair officials improved their timekeeping procedures to strengthen controls over temporary employees. Employees were required to sign their time cards at the end of each pay period. Our sample testing indicated that temporary employees completed the I-9 Form.

Status: Implemented

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**Summary**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Comparative Statement of Revenues and Expenditures
- Notes to Comparative Statement of Revenues and Expenditures
- Analytical Review of Revenues and Expenditures
- Reconciliation Schedule of State Fair Revenues to Deposits Remitted to the Comptroller
- Detail Schedule of Revenues
- Pari-mutuel Wagering Receipts and Expenditures
- Grandstand Shows Revenues and Expenditures
- Competitive Events Revenues and Expenditures

- Analysis of Operations:

- Division Functions and Planning Program
- Number of Employees
- Miscellaneous Operating Statistics (Not Examined)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Miscellaneous Operating Statistics. However, the auditors do not express an opinion on the supplementary information.

State of Illinois  
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COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
 For the Years Ended September 30, 2005, 2004, and 2003

	2005	2004	2003
Revenues:			
Tickets	\$ 563,774	\$ 481,506	\$ 465,809
Space Rental	525,240	530,895	507,451
Entry	26,114	25,697	20,361
Sponsorship	24,700	32,600	26,800
Miscellaneous	989	-	-
Total Revenues	<u>1,140,817</u>	<u>1,070,698</u>	<u>1,020,421</u>
Expenditures:			
Personal Services	232,663	336,528	331,813
Employee Retirement - State Paid	331	1,302	3,535
Contractual Payroll Employees	12,126	12,269	2,043
Contributions - Employee Retirement System	19,694	44,776	40,505
Contributions - Social Security	18,671	26,487	25,659
Contractual Services	449,539	414,080	319,015
Travel	1,000	2,761	4,867
Commodities	12,031	27,532	22,934
Printing	8,575	8,448	9,661
Equipment	1,473	2,653	12,014
Telecommunications	15,313	40,009	35,226
Operation of Automotive Equipment	800	1,427	2,973
Fair Entertainment	460,399	460,518	479,482
Permanent Improvements	6,707	-	-
Awards and Premiums	144,430	137,846	151,282
Harness Racing	28,910	29,500	30,700
Financial Assistance	459,308	874,289	37,527
Total Expenditures	<u>1,871,970</u>	<u>2,420,425</u>	<u>1,509,236</u>
Deficiency of Revenues under Expenditures	<u>\$ (731,153)</u>	<u>\$ (1,349,727)</u>	<u>\$ (488,815)</u>

*See notes to comparative statement of revenues and expenditures.*

## NOTES TO COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

### 1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES:

The accompanying comparative statement of revenues and expenditures (Statement) presents activity directly related to the operations of the DuQuoin State Fair (Fair). It includes activity in the Agricultural Premium Fund – 045 and the General Revenue Fund - 001.

Revenues and expenditures are based on a Fair year, October 1 to September 30, and contain activity for more than one State fiscal year. For example, revenues and expenditures for 2003 are for the Fair held in August 2003, but consist of activity from the State fiscal years 2003 and 2004.

Revenues consist of Fair related receipts deposited with the State Comptroller from October 1 to September 30 plus accrued receivables at September 30 of the current year less accrued receivables after September 30 of the prior year related to the prior year's Fair.

Expenditures consist of Fair related expenditures from October 1 through September 30 plus accrued expenditures after September 30 of the current year related to the current year's Fair less accrued expenditures after September 30 of the prior year related to the prior year's Fair.

The Statement does not include all Department of Agriculture expenses related to Fair activity (i.e., Department Officials' payroll expenses for work pertaining to the Fair, administrative overhead expenses relating to the Fair incurred by divisions other than the Division of Fairs and Horseracing, and capital improvements made to the Fairgrounds from appropriations to the Department of Agriculture and the Capital Development Board) due to management's difficulty of ascertaining estimating and allocating these expenses.

Revenues and expenditures for non-fair activities held at the DuQuoin State Fairgrounds are not included in the comparative statement. See Note 3.

Receipts and expenditures relating to pari-mutuel wagering are presented separately and are not included in the Statement.

### 2. FISCAL SCHEDULES AND ANALYSIS OF OTHER SPECIAL REVENUE FUNDS:

The fiscal schedules and analysis of other special revenue funds, including the DuQuoin Harness Racing Trust Fund – 098, the Illinois Standardbred Breeders Fund - 708 and the Illinois Thoroughbred Breeders Fund - 709, relating to the DuQuoin State Fair are not included in this report. The fiscal schedules and analysis of these funds are included in the compliance examination of the Department of Agriculture.

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NOTES TO COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

3. NON-FAIR REVENUES AND EXPENDITURES:

Non-fair expenditures from the Agricultural Premium Fund for each June 30 fiscal year are limited to non-fair revenues for the preceding fiscal year ended June 30 plus any unspent balances for preceding periods, not exceeding the amount appropriated. Non-fair revenues and expenditures from the Agricultural Premium Fund for fiscal years ended September 30 were as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues	\$ 388,595	\$ 418,511	\$ 217,827
Expenditures	<u>385,866</u>	<u>363,920</u>	<u>208,304</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 2,729</u>	<u>\$ 54,591</u>	<u>\$ 9,523</u>

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**ANALYTICAL REVIEW OF REVENUE AND EXPENDITURES**  
For the Years Ended September 30, 2005, 2004, and 2003

The scope of the analytical review explains any increase or decrease of revenue or expenditure items which vary by 20% or more and that are also \$15,000 more or less than the prior year.

Revenues:

There were no significant changes in revenues from 2004 to 2005 and 2003 to 2004.

Expenditures:

Personal services decreased from 2004 to 2005 due to temporary fair personnel being paid on contractual payroll.

Retirement costs decreased from 2004 to 2005 due to temporary fair personnel being paid on contractual payroll.

Contractual Services increased from 2003 to 2004 due to fair entertainment paid from this line item.

Commodities decreased from 2004 to 2005 due to appropriation transfer, resulting to fewer funds available for spending.

Fair entertainment decreased from 2003 to 2004 due to payments coming from contractual services line item.

The increase in permanent improvement costs was due to piping for a building.

Telecommunication decreased from 2004 to 2005 due to appropriation transfer and timing of payments.

Financial Assistance costs increased from 2003 to 2004 and decreased from 2004 to 2005 as a result of a timing issue because of reporting on a fair year basis which crosses fiscal years. The appropriation for this line item expenditure has been \$455,200 for several years and the Fair has been within this appropriation amount during the entire time period.

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RECONCILIATION OF STATE FAIR REVENUES  
 TO DEPOSITS REMITTED TO THE COMPTROLLER

Total 2005 DuQuoin State Fair Revenues	\$ 1,140,817
Add: Deposits in transit, beginning of period	160,762
Accounts receivable, beginning of period	87,350
	<u>248,112</u>
Deduct: Deposits in transit, end of period	22,255
Accounts receivable, end of period	6,051
	<u>28,306</u>
Cash Receipts per Comptroller	<u><u>\$ 1,360,623</u></u>
Total 2004 DuQuoin State Fair Revenues	\$ 1,070,698
Add: Deposits in transit, beginning of period	4,010
Accounts receivable, beginning of period	15,349
	<u>19,359</u>
Deduct: Deposits in transit, end of period	160,762
Accounts receivable, end of period	87,350
	<u>248,112</u>
Cash Receipts per Comptroller	<u><u>\$ 841,945</u></u>

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DETAIL SCHEDULE OF REVENUES  
 For the Years Ended September 30, 2005, 2004, and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Ticket Revenues:			
Parking Admissions	\$ 212,178	\$ 204,003	\$ 163,572
Grandstand Shows	296,566	230,237	255,951
Camping	55,030	47,266	46,286
Total	<u>\$ 563,774</u>	<u>\$ 481,506</u>	<u>\$ 465,809</u>
Space Rental Revenues:			
Fees and Commissions from Exhibits, Concessions, and Other Contractors	\$ 295,583	\$ 297,923	\$ 321,341
Carnival	201,642	205,110	162,441
Beer Concessions	28,015	27,862	23,669
Total	<u>\$ 525,240</u>	<u>\$ 530,895</u>	<u>\$ 507,451</u>
Entry Revenues:			
Regular Entry	<u>\$ 26,114</u>	<u>\$ 25,697</u>	<u>\$ 20,361</u>
Sponsorship Revenues:			
Sponsorships	<u>\$ 24,700</u>	<u>\$ 32,600</u>	<u>\$ 26,800</u>
Miscellaneous	<u>\$ 989</u>	<u>\$ -</u>	<u>\$ -</u>

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PARI-MUTUEL WAGERING RECEIPTS AND EXPENDITURES  
 For the Years Ended September 30, 2005, 2004, and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts (Net Commissions)	\$ 104,954	\$ 116,237	\$ 72,832
Expenditures	<u>187,980</u>	<u>195,075</u>	<u>172,682</u>
Deficiency of Receipts under Expenditures	<u>\$ (83,026)</u>	<u>\$ (78,838)</u>	<u>\$ (99,850)</u>

Note: The State Fair contracted with Maywood Park Trotting Association in 2005, 2004, and 2003 to conduct the pari-mutuel wagering operations at the DuQuoin State Fair. Maywood collected receipts and paid expenditures associated with pari-mutuel wagering in 2005, 2004, and 2003. The DuQuoin State Fair paid Maywood \$83,026, \$78,838, \$99,850 for losses on the 2005, 2004, and 2003 contracts, respectively.

Receipts (net commissions) are a function of the total on-track wagering (handle) less returns to bettors and privilege tax. Expenditures represent costs paid by the contractor associated with pari-mutuel wagering.

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GRANDSTAND SHOWS REVENUES AND EXPENDITURES  
 For the Years Ended September 30, 2005, 2004, and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:			
Ticket Sales	\$ 296,566	\$ 230,237	\$ 255,951
Expenditures:			
Entertainment	223,000	215,000	234,942
Sound and Light	31,750	38,950	27,420
Stagehands	58,000	62,434	34,534
Catering	5,759	6,917	4,460
Booking Agent	14,750	14,800	12,950
Total Expenditures	<u>333,259</u>	<u>338,101</u>	<u>314,306</u>
Deficiency of Revenues under Expenditures	<u>\$ (36,693)</u>	<u>\$ (107,864)</u>	<u>\$ (58,355)</u>

The above represents direct revenues and expenditures related to the grandstand shows.

This schedule does not include other indirect revenues and expenditures relating to grandstand shows, including but not limited to the following:

- Concessions
- Parking
- Facility costs and overhead
- Fair personnel costs related to grandstand ticket sales, booking and maintenance, and overhead.

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COMPETITIVE EVENTS REVENUES AND EXPENDITURES  
 For the Years Ended September 30, 2005, 2004, and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:			
Entry Fees	\$ 26,114	\$ 25,697	\$ 20,361
Expenditures:			
Manure Cleanup*	-	-	9,900
Tents	11,660	11,660	18,772
Contractual Services	24,708	26,467	31,790
Awards and Premiums	118,410	125,008	133,054
Total Expenditures	<u>154,778</u>	<u>163,135</u>	<u>193,516</u>
Deficiency of Revenues under Expenditures	<u>\$ (128,664)</u>	<u>\$ (137,438)</u>	<u>\$ (173,155)</u>

The above represents direct revenues and expenditures related to competitive events held during the 2005, 2004, and 2003 DuQuoin State Fairs. Entry fees include fees directly related to the Fair and do not include entry fees for special events.

This schedule does not include other indirect revenues and expenditures relating to competitive events including but not limited to the following:

- Concessions
- Parking
- Facility costs and overhead
- Fair personnel costs related to competitive events, maintenance, and overhead.

\* During fiscal years 2005 and 2004, costs of manure clean-up were included in farm contracts.

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## DIVISION FUNCTIONS AND PLANNING PROGRAM

### GENERAL

During 1985, the Jabr family, owners of the DuQuoin State Fair, approached Governor Thompson and asked for financial assistance in operating the Fair. Governor Thompson agreed subject to an agreement where the Jabrs would sell the property to the State. During March of 1986, the State took possession of the DuQuoin State Fairgrounds plus the property surrounding the Fairgrounds.

The Fair became an operating entity of the Department of Agriculture, located at the State Fairgrounds, P.O. Box 19281, Springfield, Illinois 62794-9281. The Director of the Department is Charles Hartke. The Fair is held to promote agriculture and the agriculture industry, and to provide for exhibits and activities in the fields of industry, education, arts and crafts, labor, entertainment and other areas of interest to the people of Southern Illinois. The Department is responsible for developing long-range operational and building use programs.

The State Fair Act establishes the legal responsibility of the Department of Agriculture. The Department of Agriculture establishes the rules and policies governing the operations of the DuQuoin State Fair. These rules and policies were adopted by the DuQuoin State Fair.

The Fair is composed of three functional areas through which the above objectives can be achieved:

- Office of the DuQuoin State Fair Manager
- Space Rental
- Competitive Events

Operation of the Fair is financed through appropriations approved by the General Assembly and funded from the General Revenue Fund and the Agricultural Premium Fund. A description of each functional area follows:

Office of the DuQuoin State Fair Manager - The State Fair Manager provides centralized management for the DuQuoin State Fair and is primarily responsible for its adherence to the provisions of the DuQuoin State Fair Act. The manager promotes the utilization of Fairground facilities throughout the year and develops a plan for the operation of the Fair. The manager also plans and provides general management responsibilities to all horse-related events and is responsible for promoting, soliciting, scheduling and coordinating all programs for the usage of buildings and grounds. Other duties include general responsibility for the initiating, drafting and executing of all Fair contracts, enforcing Administrative Rules and Regulations and developing policy and procedures for the issuance of non-paid credentials. The DuQuoin State Fair Manager is John Redhour.

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## DIVISION FUNCTIONS AND PLANNING PROGRAM

Space Rental - The Space Rental Manager assists in evaluating, developing, revising, and implementing policies and procedures associated with the operation of the DuQuoin State Fair concessions, commercial exhibits, etc. The Space Rental Department is directly charged with the responsibility of collecting and receiving all rental funds and maintaining adequate records of rental activity.

Competitive Events - The Competitive Events Manager directs, develops, and coordinates a program of events for the Fair, and maintains the necessary records for competitive events administration. Prior to the Fair, the Competitive Events Manager determines event premiums and prizes, procures the appropriate prizes, directs the preparation of event entry books, and collects entry fees from competitors. During the Fair, the Competitive Events Manager's responsibilities include obtaining proper authorization for the awarding of premiums and prizes and determining that winners of events receive the proper premium or prize.

## STRATEGIC PLANNING

The mission of the DuQuoin State Fair is to provide an attractive and entertaining annual fair that promotes family fun and agriculture awareness, supports local business, and optimizes fairground facilities. Additionally, it is the mission of the Department to promote and contract for non-fair special events to maximize use of the fairgrounds.

The main goal of the DuQuoin State Fair is to provide a safe, entertaining and educational experience at the DuQuoin State Fair. In order to accomplish this goal the following objectives have been set.

- . Increase the attendance at the fair.
- . Increase the number of concessionaires.
- . Monitor the appearance of the exhibits.
- . Increase the number of private sponsorships.
- . Update, renovate and maintain buildings and structures on the fairgrounds to enhance their appearance, ensure their public safety level and provide additional comfort to the fairgoers.
- . Provide additional entertainment, exhibits, educational events and clinics.
- . Increase the number of non-fair events, which will increase the revenue generated by non-fair events.
- . Establish a close working relationship with the County Fairs and horse racing industry of Illinois.

The Department of Agriculture has developed a strategic plan that reflects the vision and goals of the agency. The DuQuoin State Fair is a part of the Department of Agriculture's strategic planning process. The strategic plan is reviewed on an ongoing basis.

The Department's planning programs for the administration of the DuQuoin State Fair appeared adequate.

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NUMBER OF EMPLOYEES  
 For the Years Ended September 30, 2005, 2004, and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Average Full-Time Employees:			
Department:			
Administration	2	3	3
	<u>September - May</u>	<u>June</u>	<u>July - August</u>
Temporary Employees:			
State Fair - Approximate Number of Employees (2005)	5	2	41
State Fair - Approximate Number of Employees (2004)	13	3	165
State Fair - Approximate Number of Employees (2003)	4	9	157
Bureau of Buildings and Grounds Approximate Number of Employees (2005)	20	15	111
Bureau of Buildings and Grounds Approximate Number of Employees (2004)	21	54	102
Bureau of Buildings and Grounds Approximate Number of Employees (2003)	16	18	106

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MISCELLANEOUS OPERATING STATISTICS (NOT EXAMINED)  
 For the Years Ended September 30, 2005, 2004, and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>% Increase (Decrease) 2005/2004</u>	<u>% Increase (Decrease) 2004/2003</u>
Number of Contracts:					
Concessions	123	136	139	(9.56) %	(2.16) %
Exhibits	68	78	99	(12.82)	(21.21)
Contractual Services	46	45	29	2.22	55.17
Entertainment	22	18	33	22.22	(45.45)
Sponsorships	33	25	18	32.00	38.89
Tickets Sold:					
Parking Fees - Tickets	31,573	36,515	32,056	(13.53)	13.91
Grandstand Shows - Tickets	26,900	27,808	19,331	(3.27)	43.85
Miscellaneous Statistics:					
Estimated Attendance	298,286	315,731	270,346	(5.53)	16.79
Amount of Beer Sold - Kegs	345	353	375	(2.27)	(5.87)
Amount of Beer Sold - Cases	1,422	1,423	1,198	(0.07)	18.78
Number of Camping - Permits	1,504	1,192	1,657	26.17	(28.06)
Number of Parking - Permits	6,413	6,332	6,065	1.28	4.40

The estimated attendance was calculated by Fair officials and is based on the number of paid and unpaid parking passes and an established fair industry standard of 3.7 people per car. This formula has been consistently used every year to calculate estimated attendance.